



Ranking Republican, Senate Agriculture and Rural Economic Development Committee

Feb. 6, 2009

## **BREAKING NEWS – TAX ALERT!**

Dear Neighbors,

This morning Senate Democrats launched a surprise attack on agriculture in our state with a bill that includes two of the cruelest proposals imaginable:

For the first time, **farmers would have to pay the hated business and occupation tax** if their gross income is \$200,000 or more.

Second, farm auctions would be **subject to the state sales tax**.

Notice of this bill's imminent introduction reached me late yesterday. Ironically it was just hours after Farm Bureau members had wrapped up their annual visit to Olympia and legislators' offices, unaware [Senate Bill 5911](#) was on its way to the filing office.

More significantly, the loss of the B&O tax exemption for many farmers is being proposed the same week that Gov. Christine Gregoire publicly declared **she doesn't think the B&O tax is fair**.

To top it off, the Senate Democrats are touting their plan to create jobs, particularly "green" jobs. So now they want to cripple the state's largest and "greenest" industry, especially when the economy is down?

I draw two immediate conclusions from the Democrats' stunning offensive against farming.

- The farmer-friendly talk and occasional pro-agriculture policy changes seen from the majority party these past few years (like agreeing to repeal the sales tax on farm diesel, for example) don't count for much – if anything at all.
- Senate Democrats view **tax increases, not spending reductions**, as the solution to the massive budget gap caused by their spending decisions. Why else would they have proposed more than a dozen tax increases,

including these new burdens for agriculture, just four weeks into the 2009 session?

Rather than focus on adopting a supplemental budget that would begin saving money now, as the governor has asked, it appears they already have decided to look to Washington taxpayers, including farmers, for a bailout.

I know gross incomes vary from farm to farm, but it's my perception that a gross of \$200,000 is right about where many farming operations become commercial and full-time. **This tax could spell trouble for farms which have been struggling** and discourage smaller farms from expanding.

Theoretically a farmer could gross far more than the \$200,000 threshold but because of expenses net barely enough to avoid qualifying for food stamps or free school lunches or subsidized children's health care. Still, that farmer would be hit with a B&O tax if SB 5911 becomes law – just one reason the B&O tax is the cruelest tax imposed.

And the tax exemption on farm auctions has been around **since just after the Great Depression**, if memory serves. Farm auctions often aren't a joyous occasion in the first place, and the idea is to bring in maximum proceeds for creditors and farmers. Losing the sales tax exemption would only serve to discourage bidders.

Where does this bill come from? The two senators sponsoring it (one from Vancouver, the other from Bainbridge Island, where farms are scarce these days) likely would point to a citizen commission on tax preferences created by lawmakers in 2005. But that would not be completely accurate.

SB 5911 is titled, "*An Act relating to adopting the recommendations of the citizen commission for performance measurement of tax preferences.*" However, the commission **did not recommend repealing the farm auction exemption**. It instead recommended that "due to the fact that Washington currently does not have uniform tax treatment for all purchases of used farm machinery and equipment regardless of location and method by which the property is acquired, the Legislature should require reporting information of on-farm auction sales and review the policy of these retail sales and use tax exemptions." That's a significant difference.

Besides imposing the B&O tax, and the sales tax on farm auctions, SB 5911 also would do away with the public utility tax deduction for irrigation. In all, this bill completely or partially repeals seven deductions or exemptions.

We now must wait to see whether this bill is granted a public hearing before the [Senate Ways and Means Committee](#), which is the next step in the lawmaking process. I serve on that committee, as do SB 5911's two sponsors.

In my first Ag Alert! of this year I mentioned the 2009 session promised to be one of the most challenging in my 16 years as a legislator. Well, it just became more challenging.

**On the calendar:**

Thursday, Feb. 12 – Idaho Oilseed Conference; Moscow, at the University Best Western. (Contact Julie Haddox [208-885-7173, [julihad@uidaho.edu](mailto:julihad@uidaho.edu)] or Donn Thill [208-885-6214, [dthill@uidaho.edu](mailto:dthill@uidaho.edu)] or visit <http://www.cals.uidaho.edu/biodiesel/conference/index.htm>)

Sunday, Feb. 15-Tuesday Feb.17 – Washington Association of Wheat Growers, Olympia (legislative dinner is Feb. 16, contact Heather Hansen at 360-705-2040 or [heatherhh@qwestoffice.net](mailto:heatherhh@qwestoffice.net))

Tuesday, Feb. 17 – Washington Cattlemen's Association Legislative Reception, Olympia (contact: Jack Field at 509-929-1711)

Thursday, Feb. 26 – Washington State Fairs Association, Olympia (contact: Heather Hansen at 360-705-2040 or [heatherhh@qwestoffice.net](mailto:heatherhh@qwestoffice.net))

**March**

March 11 – Washington State Dairy Federation's Dairy Day at the Capitol (contact: Gloria Edwards at 360-482-3485)

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